

Statement by Chairman Tom Davis
“The Thrift Savings Plan: Putting Customers First?”
Committee on Government Reform
July 24, 2003

I would like to welcome everyone to today’s hearing on customer service and the Thrift Savings Plan, a retirement savings and investment plan in which 3 million federal employees hold accounts worth more than \$100 billion dollars. We are here to ensure that customer service for the plan meets the highest possible standards.

We will examine both the operations of the Plan, especially recent efforts to upgrade service, and oversight of the Plan by the Department of Labor. To assist the Committee in evaluating the Plan, we will also receive testimony regarding the operations of private plans.

On June 16, 2003, the Federal Retirement Thrift Investment Board, the governing body of the Thrift Savings Plan, launched a new record keeping system designed to improve service to plan participants. The goal was to make the TSP operate more like private sector plans by offering features such as online loan applications and daily, rather than monthly, account transactions.

However, software glitches have caused the new system to be slow and difficult to access. Our Committee has received numerous calls from federal employees and retirees who have complained that they have been unable to get loans processed, withdraw money, or transfer funds. As a result, according to these individuals, home purchases have been delayed or ruined, and transactions have been misplaced, credited to the wrong fund, or deposited into a different person’s account.

Although the TSP website, tsp.gov, has accepted an increasing number of transactions since June 16, participants still spend countless hours trying to access their accounts online. The site now advises users to avoid using the system during the “peak times” of 8 a.m. to 4 p.m. Instead, it suggests that users log on during the weekends and between midnight and 6 a.m. on weekdays.

But what good is a website providing access to \$113 billion in plan assets, when you have to log on at three in the morning? I know I don’t make my investment decisions in the middle of the night.

Dissatisfied with the service of the new online system, many have turned to the phone or the mail to conduct transactions. The TSP service center has been flooded with calls and has been unable to handle the volume. Consequently, few are able to get through to conduct business. Correspondence through the mail often yields no response as well.

For all these reasons, customer satisfaction with the new TSP system is low. According to a recent poll conducted by *Federal Times*, 50 percent of those responding found the new system to be **unusable**. Only 6 percent found the new program to be effective.

Let me share some excerpts from letters, phone calls, and emails we've received from TSP customers:

- A participant who developed breast cancer requested a hardship withdrawal from her TSP account on June 16. She calls daily to find out about her application, but is always disconnected. As of yesterday, she has been unable to learn the status of her urgent request.
- Another individual applied for a loan from his TSP account to pay for his child's college tuition this fall. Following weeks of trying to reach a TSP representative to learn the status of the application, the individual was told that the loan could not be processed because he used an old form. The application was downloaded from the TSP website in May, and there was no indication that the form was old or expired.
- Another participant made a loan request over a month ago in order to buy a home. This person estimates that he has spent more than ten hours on the phone trying to learn the status of his application. He has reached the automated system two times. Once he was transferred to a busy signal and the other time he was disconnected.

Perhaps what's most frustrating to federal employees is that they have waited over six years for this new system. The Thrift Board first hired American Management System in 1997 to develop a new record-keeping program. However, schedule delays and cost overruns resulted in termination of that contract. The Board then contracted with MATCOM International to develop the system.

When the new website opened last month, it immediately suffered technical glitches severely limiting the number of participants who could access their accounts. Too many loan

applications and other transactions remain unprocessed after several weeks, including those that were in process on June 16th and had to be resubmitted.

Today we will try to understand the reasons for these problems and when they will be solved. The Committee intends to learn where participants can turn when their transactions are not being processed. We will also examine whether there is adequate oversight of the management and operations of the TSP program

Direct management responsibilities fall on the TSP Board and its Executive Director who are the fiduciaries of the plan. Additionally, the Department of Labor has responsibility under the Federal Employees Retirement System Act for conducting audits of the TSP program to ensure that the fiduciaries are faithfully carrying out their duties.

We have assembled an impressive group of witnesses to help us understand these issues. We will hear from the Federal Retirement Thrift Investment Board and the Department of Labor. We will also hear from the Department of Agriculture's National Finance Center, which actually performs all of the record keeping, account transactions, and loan processing for TSP participants.

On our second panel, we will hear from a representative of the Federal Managers Association who will discuss their members' concerns. We will also hear from TIAA-CREF, a retirement savings fund that is used by many universities and research institutions, and has about 2.6 million participants.

I would like to thank all of our witnesses for appearing before the Committee, and I look forward to their testimony.

###